

CENTRAL INTELLIGENCE AGENCY
SECURITY INFORMATION

INFORMATION REPORT

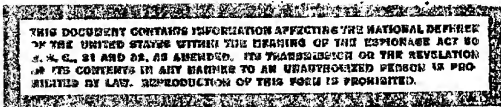
REPORT NO. CD NO.

COUNTRY East Germany

DATE DISTR. 22 September 1953

SUBJECT Discussion of Soviet Note

NO. OF PAGES 2

25X1 PLACE
ACQUIRED NO. OF ENCLS.
(LISTED BELOW)25X1 DATE OF
INFO. SUPPLEMENT TO
REPORT NO.

THIS IS UNEVALUATED INFORMATION

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1. At a session of the East German Democratic Bloc parties Otto Grotewohl and Otto Muschke commented on the Soviet note of 15 August. Grotewohl pointed out that the Soviet note, though based on the Potsdam Agreement, expressed willingness to discuss changes which have come about in the past eight years. It is not possible, Grotewohl maintained, to scrap the Potsdam Agreement completely and state that because the Agreement is no longer recognized as valid, negotiations between East and West cannot take place. The whole Soviet note is extremely elastic and indicates to the Western powers that discussions must use the Potsdam Agreement as a starting point. Grotewohl went on to say that a possible alternative to forming an all-German government from representatives of the present East and West German governments, as proposed in the Soviet note, would be to form an all-German government which would exist along with the two present German governments. The chief goal in mind is free all-German elections, and by "free" the Russians mean elections held without any external influence, especially without any attempt at international control through such organizations as the UN.
2. Grotewohl, in discussing the financial proposals included in the Soviet note, maintained that while occupation costs in East Germany had tended to decrease since 1949, occupation costs in the Federal Republic have increased from 3 billion DM in 1949 to about 9.3 billion DM at present. If implemented, the suggestions in the Soviet note would thus represent a saving of 6 billion DM for the Federal Republic.
3. On 15 August the government of the USSR turned over, in connection with the Soviet note to the Western powers, a note to the Chief of the East German Diplomatic Mission in Moscow, Rudolf Appelt. This note, which has as yet not been published, read as follows:

"The Soviet government has decided to invite a government delegation from the DDR to Moscow on 20 August. The Soviet government, in so doing, is proceeding on the assumption that now is the time to consider several important questions which concern the development of relations between the Soviet Union and the DDR as well as questions which currently concern the entire German problem as a whole.

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"Prior to the arrival of the DDR government delegation in Moscow, the Soviet government intends to direct to the governments of the USA, Great Britain, and France a note which will explain the standpoint of the Soviet Union on the German question and which will contain corresponding suggestions of the Soviet Union.

"The arrival of a DDR delegation will make it possible to discuss in detail the German question, and the Soviet Union hopes that this will initiate an important new phase in the further development of friendly relations between the Soviet Union and the DDR."

4. Thus, Grotewohl stated, two groups of questions are to be discussed in Moscow. The "important questions which concern the development of relations between the Soviet Union and the DDR" will probably concern a large trade agreement which will represent an addition to the trade contracts already negotiated between East Germany and the USSR. The "questions which currently concern the entire German problem as a whole" will undoubtedly concern the all-German (reunification) question, and it is obvious that any agreement concerning this question cannot be reached by the DDR.

5. According to Grotewohl, the Soviets have expressed the desire that the delegation represent a wide variety of people; that is, that it be made up not only of members of the government but also of representatives of the large social organizations, such as the National Front, the FDGB, and the DFD, as well as economic Ministers. Grotewohl discussed the Moscow trip with Dieckmann, and it was decided to publicize the results of the Moscow conference in a special session of the Volkskammer. Dieckmann and Grotewohl have suggested that the special session be held

6. Nuschke pointed out that the Soviet move will have a significant effect on the West German election campaign. He further stated that he assumed that the Soviet government had approved the composition of the East German delegation. The additional agreements which will be signed, Nuschke pointed out, will probably serve to put on a contractual basis the aid which East Germany is now receiving from the USSR.

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